
Opinion

“IF YOU GO DOWN TO THE WOODS TODAY” – TALES FROM THE FRONT LINE OF CRIMINAL COPYRIGHT ENFORCEMENT

A contribution by a member of counsel.

Copyright piracy is a serious problem and penalties should be severe. This article accepts that copyright infringement should be a criminal offence.¹ Criminal sanctions such as the stigma of a criminal record and a jail term may be the only effective deterrent against pirate operations that treat civil damages as just another cost of doing business. There have been many calls to strengthen criminal copyright sanctions, for the law to have a greater deterrent effect.² However, this article questions whether Australian criminal copyright sanctions are inadvertently stronger than they are intended to be because of the fact that matters are handled in the Local Court, the way that the laws work in practice, and the way that the laws are applied by the prosecution and by copyright owners.

This article argues that the criminal copyright laws should be amended to ensure that the laws operate fairly and do not improperly undermine the rights of the accused to defend himself or herself.

This article does not include extensive empirical analysis, and does not pretend to be comprehensive or definitive. However, it is not theoretical, and is not an analysis of “what would happen if” worst case scenarios. These are real examples in real cases.

Local Court

Criminal copyright cases are decided at the lowest level in the court system, in the Local Court, notwithstanding the significant penalties and the sometimes complex questions of law.

The *Copyright Act 1968* (Cth) confers jurisdiction on the Federal Court to hear and determine prosecutions for s 132 offences.³ However, matters rarely proceed in the Federal Court.⁴ The *Judiciary Act 1903* (Cth) invests the State courts (which includes the local courts) with federal jurisdiction within the limit of the State court’s jurisdiction.⁵ The *Copyright Act* provides that the offence is punishable on a summary conviction,⁶ and the *Criminal Procedure Act 1986* (NSW) provides that an offence permitted or required to be dealt with summarily is to be dealt with by a local court.⁷

Thus, criminal copyright matters are determined in the Local Court as a summary matter, notwithstanding that the maximum penalty is imprisonment of up to five years, and the Local Court and summary matters are usually limited to imprisonment of two years. This anomaly was highlighted by the Full Federal Court in *Ly v Jenkins* (2001) 114 FCR 237; 187 ALR 178 (*Ly v Jenkins*) one of the few cases that has analysed the practical consequences of the increased penalties. Even Sackville J conceded that this was “anomalous”. He said (at [123]):

¹ For further discussion on this issue see, eg, *A Guide to Framing Commonwealth Offences, Civil Penalties and Enforcement Powers* (Criminal Justice Division, Attorney-General’s Department, February 2004), [4.1]; Urbas G, “Public Enforcement of Intellectual Property Rights”, *Trends and Issues in Crime and Criminal Justice* (No 177 (Nov 2000), Australian Institute of Criminology); Spalding D, “Culpable Copying: The Criminal Offence Provisions of the Copyright Act 1968” (2003) 54 (Sept) *Intellectual Property Forum* 38; Kelcey W, “The Offence Provisions of the Copyright Act 1968 – Do They Protect or Punish?” (1995) 6 AIPJ 229; Senate Select Committee on the Free Trade Agreement between Australia and the US (Free Trade Standing Committee), Appendix 3, Part 8 Criminal Offences, Comment section; “Cracking Down on Copycats: Enforcement of Copyright in Australia”; Standing Committee on Legal and Constitutional Affairs” (Copycats Standing Committee) at [4.55] – [4.58].

² See Copycats Standing Committee, n 1, especially Ch 4, “Criminal Sanctions against Infringement”.

³ Section 132(8), *Copyright Act 1968* (Cth).

⁴ See Government Response to Standing Committee on Copyright Enforcement (Government Response) Response to Recommendation 5, comments by Acting Chief Justice of the Federal Court.

⁵ Sections 39 and 68 of the *Judiciary Act 1903* (Cth).

⁶ Section 132(6AA), (6AB), (6AC) and (6A), *Copyright Act 1968* (Cth).

⁷ Section 7, *Criminal Procedure Act 1986* (NSW).

I should add that there is some force to Mr Roberts' contention that it is anomalous that a Local Court in New South Wales can impose a sentence of imprisonment of up to five years in respect of a Commonwealth summary offence, but (subject to one exception)⁸ can impose a sentence of no more than two years imprisonment in respect of any State summary offence. The criticism gains force in view of the fact that Local Courts are limited to sentencing persons convicted of indictable offences triable summarily to terms of imprisonment not exceeding two years. It may well be, as Mr Roberts implied, that insufficient thought was given to the jurisdictional question when the *Copyright Act* was amended so as to provide for penalties for up to five years imprisonment for summary offences under that Act."

There are a number of problems with criminal copyright matters proceeding in the Local Court.

First, Local Court cases are not recorded in Austlii, let alone reported in the *Federal Court Reports* or the *Intellectual Property Reports*.⁹ It is difficult for the accused to obtain recent decisions in comparable cases to assist their defence. There is also a risk that there is inconsistency between the different magistrates, as one magistrate may not be made aware of the decisions of the other magistrates.

These difficulties were highlighted in *Chen v NSW Police Service* (2003) 59 IPR 431; [2003] FCA 589 (13 June 2003, Jacobson J). Chen appealed her sentence and said that there were two recent cases where the infringers were sentenced to penalties of \$2,000 to \$5,000 for what were said to be similar offences. However, Jacobson J said (at [32] – [33]):

There was no evidence provided to me of the facts of those cases. It is therefore impossible to tell what were the objective or subjective circumstances of those matters. Accordingly I cannot make any comparison of those matters to the present case.

In this context, it is important to recall that the *US Free Trade Agreement Implementation Act 2004* (Cth), particularly Sch 9, Pt 8 Criminal Offences, introduces a number of new concepts in the *Copyright Act* criminal provisions which will need to be refined by case law. The Appendix to the Final Report of the Senate Select Committee on the Free Trade Agreement between Australia and the United States¹⁰ give two examples:

the Bill provides no definition of "commercial scale", only vague direction on the factors to be considered, being the volume and value of the material. *Until courts start to try cases*, there will be uncertainty as to what volume or value will be enough to establish the offence.¹¹ (emphasis added)

it applies not only to infringing conduct but also to conduct that "results in one or more infringements". Read with clause 5.6 of the *Criminal Code Act 1995* (Cth), a prosecution would not have to show that the conduct was performed *intentionally*, but only that the accused was *reckless* as to the infringement that resulted. Recklessness requires that the person be aware of a substantial risk of the result (infringement) and that it would be unjustifiable to take that risk. As Melbourne University academic Kimberlee Weatherall has pointed out, this could mean that a person could be guilty of the offence merely for distributing software that has both an infringing and a non-infringing purpose, where there is a substantial risk that it will be put to its infringing use ... *The only protection from such an application is the test of whether the risk is "unjustified", but this will rely on the development of case law before "justification" in these circumstances develops any conceptual certainty*.¹² (emphasis added)

⁸ The exception is skipping bail where the Local Court can order imprisonment for up to 3 years.

⁹ The NSW Local Courts website says: "The Local Court only publishes a small selection of judgments that provide interpretations of legislation and legal principles relevant to criminal, civil and other matters determined in the Local Court." http://www.lawlink.nsw.gov.au/lawlink/caselaw/ll_caselaw.nsf/pages/cl_soa#LC. The Local Court published only 9 decisions in 2004.

¹⁰ Free Trade Standing Committee, n 1, Appendix 3, Copyright and Patent Changes, Part 8 Criminal Offences.

¹¹ Free Trade Standing Committee, n 1, Appendix 3, Copyright and Patent Changes, Part 8 Criminal Offences, "Comment" at [2].

¹² Free Trade Standing Committee, n 1, Appendix 3, Copyright and Patent Changes, Part 8 Criminal Offences, "Why are these changes necessary" at [5].

Second, the magistrates may not have expertise in intellectual property law. It is unreasonable to expect each magistrate in each Local Court to develop an expertise in intellectual property law, given the relatively small number of criminal copyright prosecutions (around 10 to 20 cases per year in the years 1989 – 1999)¹³ and the fact that there are so many Local Courts around Australia (there are 165 local courts in New South Wales alone)¹⁴ and a particular magistrate may never hear a criminal copyright case.

However, it is difficult to explain technical areas of copyright law, particularly as magistrates in suburban and rural courts sometimes do not appreciate citations of authority or extensive legal argument.

This problem becomes acute when a client is pleading guilty. In order to ensure that the sentence is appropriate, it is necessary to explain the particular circumstances of the offence which means it is necessary to explain aspects of copyright law. However, guilty pleas are usually heard as part of a running list. On one occasion in the Liverpool Local Court, there were 60 matters in the list, ranging from overpayment of Austudy, drink driving, assault between next door neighbours, speeding more than 30 kilometres above the speed limit, and travelling on the train without a ticket. Most defendants were self-represented, or represented by a very overworked Legal Aid solicitor. As I took my place at the bar table, one of the solicitors quipped: “Make it quick, less than 5 minutes. He doesn’t like long ones, and he’s got a long list this morning.” It is very difficult to summarise complex provisions of copyright law in five minutes.

Third, in the Local Court, evidence is generally given orally rather than by affidavit. The *Copyright Act* provides that only certain types of evidence may be given by affidavit on certain specific topics (see further below). Many local courts do not generally have video-conference facilities, which practically means that the witnesses have to be physically present. This means it may be difficult for the accused to secure witnesses, as the witnesses may not be willing to give evidence because of the inconvenience of having to attend court.

Fourth, even though a matter is set down for hearing in the Local Court on a particular day at a particular time, this does not mean that it will definitely be heard on the day at that time. The court may also list a number of other criminal and civil hearings on the same day, on the basis that some of them will settle, some of them will not be ready etc. This exacerbates the problem of securing witnesses – not only does the witness have to be present in court, the witness has no idea on the particular day when they will be required.

It is true that these problems may be a problem in all Local Court cases, and are not confined to Local Court cases involving copyright. However, criminal copyright cases are the only cases in the Local Court with the potential for such significant penalties.

Interestingly, the Standing Committee on copyright enforcement recommended that small copyright claims should be heard in a Small Claims jurisdiction within the Federal Magistrates Court.¹⁵ The government agreed with the recommendation for less complex matters, but made clear that it would not be suitable for more complex matters or criminal enforcement.¹⁶ This suggests that the government assumed that criminal matters would instead be heard by the Federal Court, and not by the Local Court.

Costs

Costs in the New South Wales Local Courts are governed by the *Criminal Procedure Act 1986* (NSW). This provides that the court may order the accused to pay the prosecution’s professional costs as the court considers just and reasonable at the end of summary proceedings if the accused is convicted or an order is made against them.¹⁷

¹³ See Urbas, n 1, Table 1 and Table 2.

¹⁴ The New South Wales Local Courts website has a list of the location of all New South Wales Local Courts: <http://www.lawlink.nsw.gov.au/locations/locnsw.nsf/pages/nswmap>

¹⁵ Copycats Standing Committee, n 1 at [5.60] and Recommendation 20.

¹⁶ Government Response, n 4, Response to Recommendation 20.

¹⁷ Section 215, *Criminal Procedure Act 1986* (NSW) (previously s 81, *Justices Act 1902* (NSW)).

Copyright offences are offences punishable on summary conviction.¹⁸ “Professional costs” has been interpreted in criminal copyright cases to include the professional costs of the copyright owner, including the costs of the copyright owner’s law firm and in-house counsel assisting the prosecution.¹⁹ The DPP itself acknowledged in its submission to the Legal and Constitutional Affairs Standing Committee inquiry into copyright enforcement that copyright prosecutions can be expensive.²⁰ The costs the accused may be ordered to pay may dwarf the fine. For example, in *Ly v Jenkins* (2001) 114 FCR 237; 187 ALR 178, the Burwood Local Court imposed a fine of \$8,000-\$10,000 for each offence, and professional costs of \$103,000.

There are a number of issues with this. First, should the prosecution always claim costs, particularly in cases where the accused pleads guilty before trial (as the accused did in *Ly v Jenkins*). In *Ly v Jenkins*, Moore J noted that costs are not usually claimed in criminal proceedings and said (at [43]):

Any such determination [that the costs were fair and reasonable] will be made against a background in which there has not been, in New South Wales, a practice of awarding costs against an unsuccessful defendant in police prosecutions let alone ordering the unsuccessful defendant to pay the costs of the investigation.

In *Latoudis v Casey* (1990) 170 CLR 534, the High Court considered the flipside of the corresponding Victorian provision, in circumstances where a successful defendant appealed a magistrate’s decision not to award costs against the unsuccessful informant. Mason CJ said (at 543):

I am not persuaded that there is a complete analogy between the discretion to award costs in summary proceedings and the power to award costs in civil proceedings. For that reason I would not be prepared to accept that in summary proceedings there should be a general rule that costs follow the event. As I have noted, the making of separate provision in s 97(a) and (b) [s 97(a) dealt with awarding costs against the defendant in successful prosecutions, s 97(b) dealt with awarding costs in favour of the defendant in unsuccessful prosecutions] is not without significance. The differences between criminal and civil proceedings are substantial, not least of them being the absence of pleadings, the different onus of proof, the defendant’s inability in criminal proceedings to enter into a compromise and the possibility that the charge, if proved, may affect the defendant’s livelihood and reputation.

The issue of the prosecution always claiming costs is particularly problematic when the risk of costs may encourage an innocent person to plead guilty. This is particularly delicate when the prosecution refers to the risk of costs in a way that may encourage an innocent person to plead guilty. The role of the prosecution should be to ensure a fair trial, not to secure a conviction at all costs.²¹

In a case in which I was involved, the copyright owner’s law firm in their capacity as assisting the prosecution wrote to the accused stating that if the accused pleaded not guilty, the law firm would incur significant costs and if the accused was found guilty the accused might be liable for those costs. The law firm’s letter gave examples of recent cases where the accused pleaded not guilty but was ultimately found guilty and was liable for costs of \$40,000-\$60,000. This letter was written in circumstances that the likely fine would be around \$1,000-\$5,000.

In one respect, it is appropriate that the prosecution alerts the accused that the accused may be liable for these costs. They may correctly assume that the accused is not aware that they may be liable for these costs.

However, there is a very fine line and a very subtle difference between an appropriate warning to the accused that they may be liable for the costs, and threatening the accused that they may be liable for the costs in order to encourage them to plead guilty. The latter has the hallmarks of a civil letter

¹⁸ Section 132(6A), (6AA), (6AB) and (6AC), *Copyright Act 1968* (Cth).

¹⁹ *Ly v Jenkins* (2001) 114 FCR 237; 187 ALR 178.

²⁰ Copycats Standing Committee, n 1 at [4.21].

²¹ See for example NSW Bar Rules, rr 62 and 63:

Rule 62 “A prosecutor must fairly assist the court to arrive at the truth, must seek impartially to have the whole of the relevant evidence placed intelligibly before the court and must seek to assist the court with adequate submissions of law to enable the law to be properly applied to the facts.”

Rule 63 “A prosecutor must not press the prosecution’s case for a conviction beyond a full and firm presentation of that case.”

before action, encouraging an alleged copyright infringer to settle not because they were in fact infringing copyright, but because it makes commercial sense to settle.

However, this is not a civil proceeding, this is a criminal proceeding. If the accused pleads guilty, he or she not only faces a fine, but also a criminal record. This affects their reputation, their job prospects, their ability to travel and perhaps their ability to remain in Australia.²² There is also the real possibility of jail. Whether a person pleads guilty or not should not be a matter of weighing up the costs and making a commercial decision. A person should be able to defend themselves without fear of costs.

This issue was considered in the context of extradition proceedings in *United States v Griffiths* [2004] FCA 895 (Jacobson J, 7 July 2004).²³ The United States was successful in its claim to extradite Mr Griffiths to face criminal copyright infringement conspiracy charges in Virginia, and claimed costs. Extradition proceedings are civil proceedings, but Jacobson J had to consider similar issues to criminal proceedings. Jacobson J did not award costs and said (at [3] – [4]):

Mr Griffiths finds himself in the position that he is doing nothing more than responding to the application for review made by the United States, the effect of which will be to deprive him of his liberty, at least temporarily ... The principles which provide for the compensation of the successful party ought, in this case, to yield in favour of the principle that Mr Griffiths ought not be deterred from defending the application by the risk of a potential costs order against him.

Jacobson J referred to Goldberg J's decision in *Cabal v United Mexican States (No 6)* (2000) 113 A Crim R 227; 174 ALR 747, an extradition case involving costs for an unsuccessful bail application, and said that the principles had wider application than bail applications. In that case, Goldberg J said (at [21] – [22]):

An applicant for bail under s 21(6)(f)(iv) has, as a matter of choice, decided to apply to the court for an order in respect of which the court has a discretion to make. However, that choice is overborne by the fact that the applicant has been incarcerated against his or her will by the power and authority of the State in accordance with the Act. The position in which the applicant for bail finds himself or herself is involuntary. It is inappropriate that a person detained under the provisions of the Act should have to take into account, in determining whether to apply for bail and obtain his or her liberty, whether he or she might be visited with an adverse costs order if the application is unsuccessful. Where the power and authority of the State deprives a person of his or her liberty by force of law, that person ought not to have to pay a price or suffer a disadvantage if his or her application to obtain his or her liberty and freedom, whilst no formal charge has been laid and no conviction has been recorded, is not successful.

Although an order for costs is made to compensate successful party for the expenses incurred in responding to an application or proceeding, that principle of compensation should yield in favour of the principle that a person detained by authority of the State should not be deterred by a potential costs order from seeking his or her liberty. There is a public interest in ensuring that persons detained against their will should not have any impediment put in their way which will inhibit them in seeking their liberty. In my view that public interest outweighs the general rule that a successful party is to be compensated for its costs by the unsuccessful party. In particular is this so where the costs are incurred by the State under whose authority the person is detained.”

Similarly, an accused in a copyright case who faces the real risk of incarceration for up to five years should not have the impediment of significant costs which will inhibit them in defending themselves, and should not be encouraged to plead guilty because it makes commercial sense.

Second, there is a risk that the effective penalty becomes the professional costs rather than the penalty prescribed by the *Copyright Act*. For example, in *Ly v Jenkins*, the relevant section provided that the offence was punishable by a fine of “not more than 550 penalty units and/or imprisonment of

²² *A Guide to Framing Commonwealth Offences, Civil Penalties and Enforcement Powers*, n 1 at [4.1].

²³ Mr Griffiths appealed Jacobson J's decision on the extradition, but the US did not appeal Jacobson J's decision on costs. The Full Federal Court dismissed Griffiths's appeal with costs: *Griffiths v United States* (2005) 214 ALR 665; [2005] FCAFC 34 (Whitlam, Finn and Conti JJ).

not more than 5 years”.²⁴ At the time, one penalty unit was \$110. However, the relatively large amount of costs of \$103,000 means that the effective punishment was “more than” 550 penalty units or 60,500. Indeed, it is higher than the highest penalty imposed on an individual under the *Copyright Act*, an offence against s 132(1), (2) or (2A) which involves conversion into digital form, which is 850 penalty units or \$93,500.²⁵

Some judges acknowledge this. For example, von Doussa J in *Irvine v Hanna-Rivero* (1991) 23 IPR 295 said at [20]:

Before considering the monetary penalty which this Court should impose, it is necessary to consider the applications by the prosecutor for confiscation of the hardware seized from the defendant, and for an order for costs. Both of these matters will have a heavy impact on the defendant, and should be taken into account as part of the overall sentencing package.

Indeed, some commentators acknowledge that the high costs may make up for the usually relatively low penalties awarded by the court. Spalding says: “[awarding costs against the convicted person] may add weight to the relatively low fines imposed by the court.”²⁶

This undermines parliamentary democracy. The Parliament is supposed to prescribe the penalty for a criminal offence, not the prosecution. There is little point in the government issuing discussion papers, seeking submissions from the public, consulting with community stakeholders and debating the Bill in Parliament to prescribe the maximum penalty if the effective penalty is determined by the prosecution and the victim, and may be well above the maximum prescribed penalty.

This also usurps the role of the court and undermines the exercise of judicial discretion. The *Copyright Act* prescribes a maximum penalty and the court exercises judicial discretion depending on a variety of factors such as the severity of the offence and the personal circumstances of the accused.²⁷ There is little point in the court taking these factors into account and balancing all of the various issues if the effective penalty varies not because of anything to do with the offence or the accused but solely depending on the victim and the victim’s costs.

This is also inconsistent with the basic principle that costs compensate, rather than punish. Again, in *Latoudis v Casey* (1990) 170 CLR 534, Mason CJ said (at 543):

If one thing is clear in the realm of costs, it is that, in criminal as well as civil proceedings, costs are not awarded by way of punishment of the unsuccessful party. They are compensatory in the sense that they are awarded to indemnify the successful party against the expense to which he or she has been put by reason of the legal proceedings.

Third, the amount of costs may be well above what the Local Court would usually order. Even in civil claims, the Local Court’s jurisdiction was only recently increased from \$40,000,²⁸ and the Schedule of Fixed Professional Costs in Civil Actions indicates that the scheduled fees are quite modest.²⁹ There is also concern that the Local Court magistrates are not familiar with the costs of preparing evidence in copyright proceedings, particularly where foreign copyright owners and foreign legal costs are involved, and so it is difficult for them to properly determine what is “just and reasonable”. In *Ly v Jenkins* (2001) 114 FCR 237; 187 ALR 178, the Full Court held that the Burwood Local Court magistrate had not properly considered whether the “apparently extraordinarily high costs” were reasonably incurred (per Sackville J at [130]). However, it is interesting to note that Sackville J acknowledged (at [130]) that the magistrate had actually referred to the statutory criterion, and her reasons say “*I am satisfied that the amounts claimed are just and reasonable*”.³⁰

²⁴ Section 132(6A), *Copyright Act 1968* (Cth).

²⁵ Section 132(6AA), *Copyright Act 1968* (Cth).

²⁶ Spalding, n 1, p 15.

²⁷ See, eg, *Holder v Searle* (1998) 44 IPR 1; [1998] FCA 1776 (15 December 1998); *Chen v NSW Police Service* (2003) 59 IPR 431, *Irvine v Hanna-Rivero* (1991) 23 IPR 295.

²⁸ Section 12, *Local Court (Civil Claims) Act 1970*.

²⁹ See “Fixed Professional Costs in Civil Actions Local Court”, September 2002, available online at http://www.lawlink.nsw.gov.au/lc.nsf/pages/practice_collections.

³⁰ The magistrate’s determination is reproduced in Kiefel J’s judgment – see *Ly v Jenkins* (2001) 114 FCR 237; 187 ALR 178 at [152] per Kiefel J.

Fourth, claiming significant costs undermines one of the key historical arguments for criminal sanctions – that civil remedies should be supplemented by criminal remedies because the civil remedies are inadequate because the copyright pirate is impecunious, “a man of little means”,³¹ “not worth powder and shot”,³² so it would be useless to seek damages against them.³³ If copyright pirates are men of straw, why are the Crown and the copyright owner seeking such significant costs?

Interestingly the Standing Committee on Copyright Enforcement recommended reversing the onus of proof on copyright ownership and giving the court a discretion to award penalty costs against the defendant if they seek to challenge the copyright ownership.³⁴ This was a controversial recommendation, and was opposed by the Attorney-General’s Department. The Government Response specifically rejected the court’s discretion to award penalty costs and said:³⁵

defendants who challenge a proof of title in good faith should not generally be required to pay the costs of such a defence. Broadly, therefore, the Government does not favour this aspect of the recommendation, as it raises wider issues in relation to the costs of litigation.

The practice of awarding costs against the convicted may have the same practical effect as awarding penalty costs.

Threat of civil proceedings

Again, the role of the prosecution should be to ensure a fair trial, not to secure a conviction at all costs. The prosecution should not be entitled to use the prospect of civil proceedings as a bargaining chip to encourage an accused to plead guilty.

It is possible that an accused is found not guilty in criminal proceedings but is still found liable in civil proceedings because, for example, the standard of proof is different (the standard of proof in criminal cases is beyond reasonable doubt but in civil cases is the balance of probabilities), the more generous copyright ownership presumptions in civil proceedings,³⁶ and the fact that criminal liability requires that a person know or ought reasonably to know that the article is an infringing copy³⁷ whereas a person may be civilly liable to pay an account of profits even if the person was not aware of and has no reasonable grounds for suspecting the infringement.³⁸

In a case in which I was involved, the copyright owner’s law firm in their capacity as assisting the prosecution wrote to the accused saying that if the accused pleaded not guilty, and was ultimately found not guilty, the copyright owner would pursue them in the civil courts, and would claim significant damages. Again, it is a very fine line and very subtle difference between the courtesy of alerting a person that the copyright owner may pursue civil proceedings, and using the threat of civil proceedings to encourage a person to plead guilty.

List of seized items

The New South Wales *Criminal Procedure Act 1986* provides that the prosecution must serve a copy of the police brief of evidence if the accused pleads not guilty,³⁹ unless there are compelling reasons.⁴⁰ The practice in the Local Court is that the court does not set the matter for hearing until the brief has been served and the accused has had an opportunity to consider the brief, and the accused has confirmed the not guilty plea.⁴¹ This allows the accused to know the case against him or her

³¹ Spicer Committee as cited in Spalding, n 1.

³² Second Reading Speech, *Copyright Act 1905*, cited in Spalding, n 1.

³³ Spalding, n 1.

³⁴ Copycats Standing Committee, n 1 at [4.18] – [4.38] and Recommendation 8.

³⁵ Government Response to Standing Committee, n 4, Response to Recommendation 8.

³⁶ Division 4, Pt V, *Copyright Act 1968* (Cth).

³⁷ Section 132, *Copyright Act 1968* (Cth).

³⁸ Section 115(3), *Copyright Act 1968* (Cth).

³⁹ Section 183, *Criminal Procedure Act 1986* (NSW).

⁴⁰ Section 187, *Criminal Procedure Act 1986* (NSW).

⁴¹ New South Wales Local Court Practice Note 8/2003.

before committing to the not guilty plea, so that if the accused pleads guilty the accused can still get the sentencing benefit of pleading guilty at the earliest opportunity.⁴²

However, the police brief may not contain a detailed list of all of the items seized. For example, in a case in which I was involved, the list stated that there were three boxes of CDs – box one consisting of 147 CDs, box two consisting of 130 CDs and box three consisting of 137 CDs. The list did not reveal the record label or the artist of the CDs.

In one of the cases in which I was involved, the prosecution resisted producing a list. The prosecution warned me that it would cost money to prepare a proper list, and such costs would be included in the prosecution's professional costs, and so the accused would ultimately bear the costs when the accused was ultimately found guilty.

This raises three issues.

First, the accused is not in a position to properly determine whether or not to commit to plead guilty or not guilty until after the accused has had an opportunity to consider the list.

Second, the list may reveal that some of the items are not actually infringing. In one of the cases in which I have been involved, the accused alerted the prosecution that some of the items that were seized were clearly not infringing and asked for the items to be returned. The prosecution refused to return the items. It was only when the list was prepared that the prosecution agreed that some of the items were clearly not infringing and agreed to return the items.

Third, the list may reveal that some of the items, whilst they may be infringing, are not the subject of the charge. For example, in one of the cases in which I was involved, the charges related to three particular CDs of three particular artists produced by one particular record label, and the prosecution evidence only covered this one record label. However, the prosecution had seized over 400 CDs from various record labels from various artists.

This means that the items are irrelevant and are inadmissible for the purposes of evidence.⁴³

A representative from the industry body assisting the prosecution explained that each charge could only relate to one particular CD because each CD has its own copyright. He said that in order not to annoy the magistrate by having 400 charges it was the prosecution's practice to lay only three or four charges relating to three or four items which the prosecution considered were representative of all of the seized items. He said that if we pushed the issue, they could arrange for over 400 charges to be laid, which, he warned, would increase the costs.

This practice may well make administrative sense and has been used in test copyright cases. For example, in *AVRA v Warner Home Video Pty Ltd* (2000) 114 FCR 324, Emmet J determined the case on the basis of two DVDs which the parties agreed were representative of Warner DVDs.

However, there is nothing in the *Copyright Act*, the *Evidence Act* or the *Criminal Procedure Act* that allows the prosecution to prosecute an accused on the basis of three items, but sentence the accused on the basis of 400 items without consulting with the accused, let alone seeking the accused's consent.

This approach may be a misunderstanding of Spender J's comments in *Holder v Searle* (1997) 78 FCR 430; 39 IPR 343; [1997] FCA 1158 (23 September 1997). Searle was charged with importing infringing laser discs, offering infringing laser discs for sale and possessing infringing laser discs for sale. Notably, the laser discs were not pirate copies but were parallel imported genuine laser discs. Spender J said (at 435-436):

The penalty provisions contained in s 133 of the Act can be given their proper effect by having regard only to those articles to which the alleged contravention relates. Therefore, if the prosecutor has failed in respect of some alleged infringing articles, the conviction relates only to those on which the prosecutor has not so failed and the penalty can be assessed accordingly (or at least the range of penalty to which the convicted person is exposed can be properly assessed) ...

⁴² Section 22, *Crimes (Sentencing Procedure) Act 1999* (NSW).

⁴³ Section 55, *Evidence Act 1995* (NSW).

If there was a single importation of say 100,000 copies alleged to be infringing copies of copyright works (and it may be of 100,000 different copyright works), it seems to me that a defendant could legitimately assert that the laying of 100,000 informations for separate offences was oppressive and an abuse of process. Particularly is this the case when one has regard to the penalty capping provisions contained in s 133(2) of the Act. I think it was the intention of the Act to penalise conduct, measured by having regard to the transaction constituting the conduct rather than to a minute calculation of the particular articles the subject of that transaction.

Of course, for the purpose of imposing a penalty, it is necessary to establish with precision, what articles alleged to be infringing copies are, in fact, infringing copies. However, at the end of the day, the substance of the contravention must be considered and that substance is best ascertained by looking at the matter from a transactional viewpoint, rather than on a discrete infringing copy basis, article by article.

(emphasis added)

Spender J is not saying that it is permissible to prove that a few of the items in the information are infringing and then assume the rest of the items in the information are infringing. Spender J still requires the prosecution to establish all of the items in the information are in fact infringing. In fact, Spender J ultimately dismissed most of the charges against the accused because the prosecution could not establish that many of the copies alleged to be infringing were in fact infringing copies.⁴⁴ Spender J also dismissed the charges relating to importing infringing discs and offering infringing discs for sale because the affidavits were inadmissible as hearsay because they did not satisfy the business records requirements, so there was insufficient evidence to show that copyright subsisted in the films on the laser discs referred to in the informations. Spender J also dismissed most of the charge relating to possession because the affidavits failed to establish the first date of publication, failed to identify a legal person as the owner of the copyright (Warner Bros films), and failed to show a clean chain of title (Universal films). On the charge of possession, of the 90 items seized (relating to 11 films) that were referred to in the information, Searle was only convicted on nine items (relating to two films).

In *Irvine v Hanna-Rivero* (1991) 23 IPR 295, the prosecution seized 1500 items, but the charge only related to 23 items. This was because over half of the items were in the public domain, and many other items originated overseas and the prosecution could not establish who the copyright owner was. Von Doussa J said punishment must be assessed having regard to the circumstances surrounding the defendant's possession. He said that this included the defendant's ownership of the total library and the use to which the library was put. However, this does not mean that the court was entitled to assume that all 1500 items were infringing and assess penalties accordingly – it simply meant that von Doussa J was able to consider how the defendant used the total library – partly as a hobby, partly in a “swap network” and partly to sell on request from members outside the swap network.

More recently, the “sampling” approach was expressly criticised by the Full Federal Court in *Cummins v Vella* [2002] AIPC 91-812; [2002] FCAFC 218. In that case, the trial judge considered a sample of the defendant's paintings, and found that the sample paintings infringed copyright in the plaintiff's paintings. The trial judge then calculated damages on the basis that all of the defendant's paintings infringed the plaintiff's copyright. On appeal, the Full Court criticised the trial judge's approach, and said that the trial judge was not entitled to consider a sample in circumstances where the respondent had not conceded that the samples were representative of all of the alleged infringements, and must consider each work and determine if that particular work infringed copyright. Similarly, in *Sony Entertainment Australia Ltd v Smith* [2005] FCA 228 (11 March 2005), in the context of calculating conversion damages, Jacobson J confirmed that the court was required to consider whether each track on a CD was infringing even if the tracks could not be severed from the whole of the CD.

The prosecution should only be entitled to refer to items that it can prove are infringing. It should not be entitled to refer to other items unless the accused concedes that the other items are also infringing.

⁴⁴ *Holder v Searle* [1998] FCA 1775 (23 October 1998, Spender J).

These issues are particularly important when the accused is being sentenced. This is because one of the factors that the magistrate considers in assessing the seriousness of the offence is the number of items that were seized. Thus, the list is important even if the accused ultimately pleads guilty. If the accused does not have an opportunity to check a detailed list before the accused commits to his or her plea and is sentenced, then the accused may be sentenced on the basis of an improperly inflated figure.

Knowledge

The key issue in many criminal copyright cases is *mens rea* – whether the accused knew or ought reasonably to have known that the article was an infringing copy.⁴⁵

In one of the cases in which I was involved, the accused and I met with representatives of the industry body assisting the prosecution. I asked the representative of the industry body how he could confirm if an item was infringing. The representative took a CD, held it under the light, and showed me an IFPI number inscribed into the CD rim.

I had never known about this. My instructing solicitor had never known about this. I asked the representative of the industry body if they had ever conducted any publicity campaigns advising people that this was how you could tell that an item was infringing. He said no.

I asked him how he could prove that a person knew or ought reasonably to know an item was infringing if the person did not know how to check if an item was infringing. He said that there was other evidence to prove knowledge. He said that this type of evidence had been accepted by the courts as evidence of knowledge.

The accused's knowledge may be inferred from the relevant circumstances – such as evidence of a significant difference in price between genuine items and infringing items, a visual difference in packaging, a difference in trade channels, and the different manner of sale. However, the industry representative was not referring to this type of evidence.

The industry representative referred to a letter that had been sent out by the parent company record label to the accused. The letter had been sent to the accused more than one year before the prosecution raided the accused. The letter was a form letter that did not identify the particular record label, let alone the particular CDs. It did not indicate how a person could identify an infringing CD. In particular, it did not refer to the IFPI number inscribed on the CD.

In *Pontello v Giannotis* (1989) 16 IPR 174, Sheppard J noted the lack of familiarity with copyright of those who conduct video shops, and suggested that the Australian Film and Video Security Office prepare a short plain-English explanation of the nature of copyright in films, of the consequence of infringements of copyright, of being in possession of infringing copies and the other offences. Sheppard J also noted that one advantage may be that in the event of a prosecution it might be much easier to prove that the particular shop owner or employee did have the requisite knowledge. This may have been the catalyst of the form letter. However, Sheppard J did not say that receipt of the letter would automatically prove knowledge – only that it would assist. I am concerned that copyright owners are doing blanket mail-outs of these form letters, and then relying on them as evidence to prove that the recipients have “knowledge”.

Affidavits

The *Copyright Act* provides that evidence in criminal proceedings may be given by affidavit.⁴⁶ However, only certain types of evidence may be given by affidavit, such as evidence that copyright subsists, and evidence that an act is done without the licence of the copyright owner or exclusive licensee.

Practically, this means that only the prosecution's evidence may be given by affidavit. For example, the prosecution's evidence may be that the accused ought reasonably to have known that the article was infringing because the wholesale price of the article was less than the usual wholesale

⁴⁵ Section 132, *Copyright Act 1968* (Cth). See *Donnelly v Hughes* (1999) 47 IPR 614; [1999] FCA 1775 (8 December 1999, Spender J).

⁴⁶ Section 134A, *Copyright Act 1968* (Cth).

price, and the article's packaging was torn. The accused may wish to rebut this by tendering market evidence, that the usual wholesale price was actually low at the relevant time, or it was market practice to have torn packaging. This market evidence does not fall within any of the categories in the *Copyright Act*, so cannot be given by affidavit.

It is true that the prosecution can require a witness for cross-examination so that practically, a witness must be available to attend court. However, the type of evidence that the witness is giving may not be the type of evidence that could be explored or undermined by cross-examination, so the prosecution may not require the witness for cross-examination. In addition, the *Copyright Act* affidavit evidence is only excluded if the witness is required for cross-examination *in good faith*. This should also apply to the accused's evidence.

This problem is particularly acute in cases involving goods which have been imported. The accused already has a difficult evidential burden in relation to imported goods. In part, this is because evidence about the usual market conditions is evidence from another country. In part, it is because of the definitions of "infringing copy"⁴⁷ and "non-infringing copy",⁴⁸ which mean that the accused often has the evidentiary burden of proving where the copy was made, proving who is the copyright owner in that country, and proving consent in that country.

This difficulty was raised by Hill J in *ACCC v Universal Music Australia Pty Ltd* [2002] ATPR 41-855 (albeit in relation to civil proceedings where the defendant has the legal burden as well as the evidential burden of proving that the article was a non-infringing copy) where he said (at [6]):

the burden of proof placed upon the importer or vendor to show the imported copy was a non-infringing copy might well be thought to be difficult if not impossible to satisfy.

This problem is exacerbated in the Local Court. The witnesses who are able to give this evidence are overseas. Because the evidence may not be given by affidavit, and because video-conference facilities are not generally available in the Local Court, the witnesses need to travel to Australia for the trial. Because of the way that matters are listed in the Local Court, it is not certain when the witness will be required. The witnesses may not be willing to do this. Even if the witnesses agree, there are significant travel and accommodation costs.

The *Copyright Act* should be amended so that *all* evidence may be given by affidavit, and *all* affidavits are only excluded if the witness is required for cross-examination in good faith and does not appear.

Venue

One of the consequences of matters being listed in the Local Court is that there is a presumption that the offence should be tried where the offence is committed. In particular, the *Criminal Procedures Act* provides that the court may only change the venue if a fair or unprejudiced trial cannot otherwise be had or for any other reason it is expedient to do so.⁴⁹ In practice, the venue is only changed where there would be a denial of justice, for example, if there has already been a trial in a small town which has been aborted.

This works in most cases in the Local Court – the offence is personal, and injures or threatens to injure individuals or the public at large who work and/or live locally. In addition, the key factual issue is often what happened, and the key witnesses are eye witnesses, who work and/or live locally.

Copyright infringement is different. The injured person, the copyright owner, is not usually based where the alleged offence occurred. In addition, the key factual issue is not what happened, which is not disputed, but is evidence from the copyright owner, evidence of the accused's mens rea, and the actual seized items.

This issue is most acute in the case of market traders, who travel from town to town. If the market trader is charged in a country town, then the case is heard there. For example, I was involved in a case involving a market trader who was charged in Broken Hill. The market trader was based in

⁴⁷ Section 10, *Copyright Act 1968* (Cth).

⁴⁸ Section 10AA, *Copyright Act 1968* (Cth).

⁴⁹ Section 30, *Criminal Procedure Act 1986* (NSW).

Sydney. The copyright owner was based in Sydney. The copyright owner's witnesses, including the private investigator witness, were based in Sydney. The police witnesses had been based in Broken Hill. However, some of the police witnesses had since been transferred from Broken Hill. In addition, the market trader was not disputing the evidence of the police witnesses – he admitted he had been selling the items, he admitted that the items that were in court were the items that had been seized.

The only issue was whether the accused knew or ought reasonably have known that the items were infringing items. However, the prosecution was unwilling to move the case from Broken Hill. This has four key consequences.

First, if the market trader wanted to defend himself he would have to leave his business for a couple of days, and travel back to the area. This means that the market trader's costs include opportunity costs, and travel and accommodation costs.

Second, the market trader may find it difficult to find willing witnesses because the witnesses would also have to travel to the area. For example, if the market trader wanted evidence of market practice he would have to encourage other market traders to give evidence. It may be difficult to persuade his fellow market traders to travel to a rural area and leave their businesses for a couple of days. Similarly, if there are any other relevant witnesses such as the foreign exporter of the item or the local importer of the items. Even if the witnesses did agree, the witnesses' costs would include travel and accommodation costs.

Third, the market trader is unlikely to find local solicitors who have expertise in intellectual property law. Therefore, to properly defend himself, the market trader would need to engage a city-based solicitor, or a city-based barrister. The market trader would have to pay the solicitor and/or barrister's travel and accommodation costs.

Fourth, the prosecution's costs also become significant – they include travel and accommodation costs for the copyright owner's witnesses, the private investigator's witnesses and the police witnesses.

At first blush, this does not appear to be the market trader's problem. However, if the prosecution is successful and the market trader is convicted, the prosecution may be able to recover these costs from the market trader. These costs may be significantly higher than the fine (see above on costs). For example, in *Irvine v Hanna-Rivero*, the prosecution claimed the cost of a number of airfares from Adelaide, where the offence was committed, to Sydney, where the copyright owner was.

There is a risk that the market trader will plead guilty not because he or she is guilty, and not because he or she cannot afford to run the case, but because he or she cannot afford to run the case *at a remote location* because of the additional costs.

Threat of criminal proceedings

Copyright owners often instruct their legal advisers to write "letters before action" before commencing civil legal proceedings, to give the alleged infringer one last chance to stop the alleged infringing and settle the dispute. These letters are often self-confident, and bullish, bordering on bullying. Such is the cut and thrust of commercial civil litigation.

However, in a case in which I was involved, I saw a "letter before action" from a large commercial law firm encouraging my client to settle, which warned my client that *their client* may bring proceedings for "copyright infringement (both civil and *criminal*)" (emphasis added).

In one respect, it is appropriate that a copyright owner alerts an alleged infringer that they may be criminally liable. However, there is a very fine line and very subtle difference between the courtesy of alerting an alleged infringer that the copyright owner may file a complaint with the AFP or DPP, and the copyright owner using the threat of criminal proceedings as a bargaining chip and negotiating tactic to encourage an alleged infringer to settle a civil action, as part of a wider litigation strategy.

The *Copyright Act* should be amended so that it is illegal for an individual to threaten criminal proceedings as an inducement to settle civil proceedings.

Role of copyright owner's lawyers assisting the prosecution

The copyright owner's lawyers should have a role in criminal copyright prosecution – the copyright owner's law firm provides very valuable assistance to the prosecution, particularly because of their

intellectual property expertise, their understanding of their client's business, and the fact that the DPP's resources are often stretched because of their large workload.

However, the copyright owner's lawyers' expertise is usually in the cut and thrust of civil litigation. The copyright owner's lawyers may not fully appreciate that pleading guilty is not the same as a commercial settlement – the accused who pleads guilty will have a criminal record and may be sent to jail. The prosecution may say that if the accused pleads guilty they will not seek a substantial fine or they will not seek a jail term. However, the prosecution cannot guarantee this – the magistrate determines the sentence and the magistrate may not agree with the prosecution's submission.

There is also a risk that the copyright owner's lawyers do not fully appreciate the different role of the prosecution in a criminal matter – to ensure a fair trial, to assist the court to arrive at the truth, and to enable the law to be properly applied to the facts. The role of the prosecution is not to secure a conviction at all costs.⁵⁰

Conclusion

Copyright piracy is a serious problem. Criminal sanctions in copyright law are increasingly being strengthened.⁵¹ However, the accused should not be in a position that he or she pleads guilty because of procedural difficulties and cost barriers.

The zeal to convict copyright infringers should not undermine the accused's right to a fair trial, and the right of innocent persons to defend themselves.

⁵⁰ See, eg, NSW Bar Rules, rr 62 and 63, n 21 above.

⁵¹ See, eg, Free Trade Standing Committee, n 1, Appendix 3, Introduction: "Although the changes deal with several disparate areas of the *Copyright Act*, certain themes can be observed. They include ... greater use of criminal law, in addition to civil remedies, to enforce copyright."